

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name <b>City of Huntington Woods</b>	County <b>Oakland</b>
Fiscal Year End <b>June 30, 2007</b>	Opinion Date <b>December 11, 2007</b>	Date Audit Report Submitted to State <b>December 20, 2007</b>	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	<b>N/A</b>	
Certified Public Accountant (Firm Name) <b>Doeren Mayhew</b>		Telephone Number <b>248.244.3000</b>	
Street Address <b>755 West Big Beaver Road, Suite 2300</b>		City <b>Troy</b>	State Zip <b>MI 48084</b>
Authorizing CPA Signature 		Printed Name License Number <b>Todd Fox 1101022154</b>	

**Comprehensive Annual  
Financial Report**

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**City of Huntington Woods, Michigan**

**Prepared by the  
Finance Department**

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**Fiscal Year Ended June 30, 2007**

**City Commission**

Ronald F. Gillham, Mayor  
Mary White, Mayor Pro-Tem  
Jeffrey Jenks, Commissioner  
Phyllis Kramer, Commissioner  
Robert Paul, Commissioner

## **Introductory Section**

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# City of Huntington Woods, Michigan

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*Mayor **Ronald F. Gillham***  
*Mayor Pro-Tem **Mary White***  
*City Manager **Alex R. Allie***

*Commissioner **Jeffrey Jenks***  
*Commissioner **Phyllis Kramer***  
*Commissioner **Robert Paul***

November 9, 2007

Honorable Mayor, City Commission  
City of Huntington Woods, Michigan

### **Preface**

The City of Huntington Woods Finance Department is pleased to present to you the annual Comprehensive Annual Financial Report (CAFR). This report represents a clear and comprehensive view of the financial health and strength of the City as of the fiscal year ended June 30, 2007. The City Charter as well as the State Statute mandate that the City prepare a report outlining the financial position of the City and that the report be audited by an independent licensed firm of certified public accountants. In doing so, the report is prepared according to the regulations as set forth by the Governmental Accounting Standards Board and the State of Michigan Department of Treasury.

All the schedules, data, text and descriptions contained herein are solely the responsibility of the City of Huntington Woods Finance Officials and Management. To the greatest extent possible the City must rely upon its policies and procedures that are in place to define roles and responsibilities of its financial management staff. This is critical to maintain and exercise adequate internal control over the entire Finance Department. To the best of our knowledge and belief this data is accurate in all material respects and is reported in a manner that is fair and consistent. The report includes all disclosures and charts required to enable the reader to understand the City financial structure from a historical, operating and administrative perspective.

This will be the third year the City has prepared a Comprehensive Annual Financial Report. The Finance staff has continued to work on the tables, graphs and charts to present the data to the reader in the clearest form. Where clarification is needed we have added information, however, the goal is to be as concise as possible, and look for ways to make this report more usable.

## **Report Organization**

The Comprehensive Annual Financial Report was prepared to meet the needs of a broad spectrum of financial statement readers and is divided into the following major sections:

**Introductory Section** - This section introduces the reader to the City of Huntington Woods and to this report. Included in this letter of transmittal with continuing disclosure reporting enhancements, the City's organizational chart, a list of principal officials and a fund organization chart.

**Financial Section** - The independent auditor's report, management's discussion and analysis letter, government-wide financial statements, combined fund financial statements, required supplemental information and the notes to the financial statements are included here. These are the City's basic financial statements and provide an overview for readers who require less detailed information than is contained in the balance of this report.

**Statistical Section** - Although this section contains substantial financial data, these schedules differ from financial statements in that they present some non-accounting data, cover more than the current year and are designed to reflect social and economic data, financial trends and the fiscal capabilities of the City.

## **Audit Requirement**

The City Charter IX § 7, and State Statute require an annual audit of financial records and transactions of public sector units of government to be completed by independent certified public accountants at the close of each fiscal year. Huntington Woods is in full compliance with this requirement and has recently received an "unqualified opinion" from Doeren Mayhew Certified Public Accountants for the fiscal year ended June 2007. This exemplary status lets the reader know that the examination of the financial records of the City disclosed no conditions that cause the auditors to believe that the financial statements are not fairly stated in all material respects.

## **Reporting Entity and Services Provided**

The City of Huntington Woods has defined its financial reporting entity in accordance with the pronouncements of the Governmental Accounting Standards Board. The City of Huntington Woods (the "City") is defined as; all funds, agencies, commissions, boards and authorities that are controlled and managed by the Elected Mayor and City Commission. As of this writing, the City does not contain any component units of government as per current pronouncements.

The City of Huntington Woods was incorporated as a village in 1926 and remained so until 1932 when it became a city under the home-rule City Act 279 of 1909. The City has developed into a well respected full service municipality operating in Southeast Oakland County. This report covers the operations of the City as relates to all departments and municipal services in its governmental fund structure, including a full range of public safety services; sanitation services; recycling services; highway, streets and sidewalks maintenance/ROW Rights-of-way; Planning, Zoning and building code enforcement services; Recreational Services and cultural events; and library. Water and Sewage services are administered through the use of an Enterprise fund which requires the City Commission to set fees for its operations on an annual basis through user fees.



## **Fund Types and Purposes**

### **GENERAL**

**PURPOSE** - The General fund is primary operating fund in the local unit of Government and is used to account for all revenues and expenditures and activities not specifically or statutorily provided for in other funds.

### **RECREATION**

**PURPOSE** - The Recreation fund accounts for the operation and maintenance of City parks as well as the operation of the Recreation Department and related programs.

### **SANITATION**

**PURPOSE** - The Sanitation fund accounts for the operation of the solid waste collection disposal and recycling functions of the City.

### **MAJOR AND LOCAL ROAD**

**PURPOSE** - The Major and Local Road funds are used (1) to receive all street funds paid to cities and villages by the state, (2) to account for construction, maintenance, traffic services and snow and ice control on all streets classified as Local Streets within the local unit of government (this includes construction done from money raised by special assessing property owners for street improvements), (3) to account for revenue from special assessment taxes levied for street purposes as provided by Act 51 of the Public Acts of 1951, as amended, and (4) to account for money received from General Fund contributions.

### **RACKHAM DEFENSE**

**PURPOSE** - The Rackham Defense fund was established to provide a method of segregating the legal costs of the property development of Rackham Golf Course. In addition, the City has asked the voters to approve a three year .50 mill per year levy to pay for the legal fees associated with the property. This millage was approved February 2007 and levied July 1, 2007.

### **GENERAL OBLIGATION RECREATION AND ROAD DEBT**

**PURPOSE** - These funds are used to record the payment of interest and principal on long term general obligation debt other than that payable from special assessments and debt issued for and serviced primarily by an Enterprise or Construction Fund.

### **CAPITAL PLANNING**

**PURPOSE** - This fund is used to account for revenue set aside for statutory public improvements of a major nature.

### **WATER AND SEWER**

**PURPOSE** - This fund is used to record the operations of the combined water and sewer system, and is considered an Enterprise Fund.

### **EQUIPMENT POST RETIREMENT HEALTH CARE BENEFIT**

**PURPOSE** - These funds are used to support the activities of other funds, such as the equipment fund which is used as a motor pool to record the rental, and the subsequent depreciation of equipment, as well as the recording the cost of retiree health care.

## **Accounting System and Budgetary Controls**

Due to the nature of the operations and legal requirements, the accounting of transactions within the reporting entity is organized on a "fund basis." This accounting approach assures compliance with statutory requirements and enables adequate separations between distinct governmental functions. Each fund is a distinct, self-balancing accounting entity.

The budget is annually presented to the City Commission each May as required by City Charter. This document has been prepared in compliance with the regulations set forth under the Uniform Budget Act, State of Michigan P.A. 621 of 1978. The act requires that the City of Huntington Woods adopt a balanced categorical budget where appropriations do not exceed budget revenue. The appropriation/rate resolution as adopted by the City Commission gives the City Manager and/or the Finance Director the authority to create new funds and activities in order to maintain adequate financial control, and to make changes between budgetary categories only. All funds with the exception of the General Fund are adopted on a categorical basis by the City Commission. Budget changes in the general fund therefore are made by line item only.

## **Historical Overview**

The City of Huntington Woods is almost exclusively residential. In fact, 98.7% of the State Equalized Value (SEV) of the City is comprised of residential properties. The lack of diversity in its tax base has left the City with no major industrial or commercial property to share the tax burden of providing the full range of city services. Structural financial problems began to surface approximately fifty years ago. Despite a relatively high millage rate, the City was unable to provide for all capital and service needs from its annual budget. The City founders had left a significant amount of undeveloped public property surrounding the perimeter of the City. It truly was intended to be the "City in the Woods." The City, however, began selling the undeveloped property shortly after World War II, to finance needed facilities and satisfy outstanding debt.

In the 1960's and the early part of the 1970's, the State and Federal Government began to play a role in municipal operations by providing revenues to equalize tax base inequities. The State Revenue Sharing program was approved by the State of Michigan, both constitutionally, in 1964, and statutorily, in 1967, earmarking a share of State taxes for cities. In 1974, the U.S. Congress enacted Federal Revenue Sharing, returning a portion of the income taxes paid by Huntington Woods' residents directly to the City. From 1970 through 1975, despite receiving additional dollars from the state and federal governments, the City experienced operational deficits and was forced to borrow funds on three occasions to meet annual budget obligations. The City population, which was the basis for calculating revenue received from the state and federal governments, peaked in the 1960 census. The City population has been declining ever since. Despite the fact that the City was fully developed by 1970, thereby resulting in a stagnant tax base, annual increases in State Equalized Value (SEV) provided sufficient annual revenue growth. In 1978, though, the Headlee Amendment to the Michigan Constitution began to limit the annual increase in property taxes received by the City to the rate of inflation or Consumer Price Index (CPI). Shortly thereafter, City revenue was further reduced by a significant population loss identified in the 1980 census. The City had no cash reserves and experienced operating deficits from 1980 to 1983. In 1984, the City modified its fiscal year by changing the date of tax collections. This led to a one-time infusion of approximately one million dollars (\$1,000,000) and took the City from a deficit to a surplus position based upon the six-month fiscal year and accelerated tax collections.

In 1986, the Federal government, facing its own deficits, eliminated Federal Revenue Sharing. From 1970 to 1990, the City experienced a budget surplus in only seven fiscal years. An analysis of overall financial health of the City, completed in 1990, indicated that the City faced the following problems:

- There were no capital reserves to replace an aging infrastructure including water mains, storm and sanitary sewers and roads, most of which were installed in the 1920's.
- Employee post retirement benefits were unfunded or under-funded.
- State Revenue Sharing reductions due to a decline in population of 7.5% in the 1990 census.
- Deficits existed in the City's three major operating funds.
- Solid Waste disposal cost increases due to a projected reduction in landfill capacity projected to peak in 2005.

In 1991, the City adopted a fiscal rebuilding plan. The plan included a voter approved 1.85 millage increase. The 1.85 request to voters was a compromise by the City Commission in response to the City Manager's recommendation of a 3.5 mill increase. The City Manager believed a higher increase was necessary to operate the City with the same level of services and meet long-term unfunded obligations. The compromise was meant to provide a stable revenue source for city operations, yet required additional attempts to reduce operating costs. One such attempt was a Public Safety Consolidation Study completed in cooperation with the City of Berkley in 1994. While the consolidation of the two cities' police and fire departments would have saved in excess of one million dollars (\$1,000,000) per year, the consolidation did not happen because neither city found it politically acceptable.

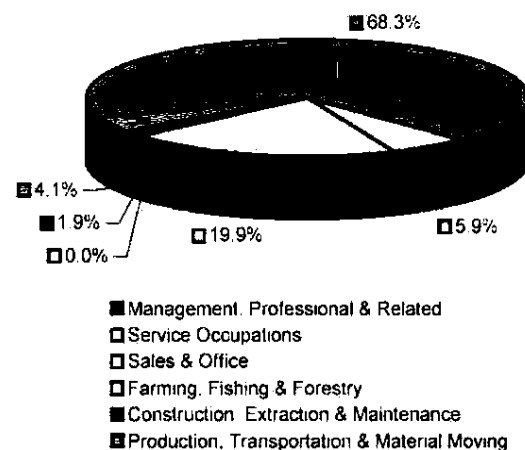
Also, in 1994, the state government froze property tax assessments to allow an opportunity to resolve complex school financing issues. Inequities in school financing had created extraordinary gaps in per-pupil spending between school districts with wealthy tax bases and districts with low per-pupil tax bases. That same year, Michigan voters approved Proposal A, which cut school property taxes and shifted the burden to the sales tax.

Proposal A, however, also implemented changes in the property tax system including reduced annual tax revenue limits for cities. This statute caused the taxable value of a home to be annually capped at the rate of inflation, Consumer Price Index (CPI) or 5%, whichever is less. The cap remains in effect until the home changes ownership. This event moves the value on the tax roll to the State Equalized Value (SEV), which is 50% of true cash value. The City receives absolutely no increased revenue from the property's transfer of ownership. This is because state law limits aggregate property tax revenue from the existing tax base to the CPI. The City is required to annually reduce the millage to certify that property tax collections do not exceed inflation. This complex system becomes more problematic if the rate of inflation exceeds 5%.

In 1996, the state legislature modified the formula used to distribute state revenue sharing. The legislature believed that the City of Detroit was receiving more than its fair share of state revenue under the formula. Because political power had shifted from urbanized southeastern Michigan to western Michigan and out-state areas, the Senate and House of Representatives enacted changes in revenue sharing distribution. These changes favor rural areas. The new revenue sharing formula reduced appropriations to older, fully developed cities with high tax rates and redistributed the funds to growing and rural townships of the State with generally low local tax efforts. The new revenue sharing formula will sunset in 2007. The City will review its options immediately after the new rules are adopted.

The new formula is being phased in over a ten-year period and has adversely impacted the City by reducing the amount of revenues received from the State. Further compounding state shared revenue losses, is the fact that, in the 2000 census, the City lost an additional 4½% of its population. Also, in 2001, 2002 and 2003, the State, in addressing the implications of a slow economy and increasing state deficits, reduced the amount of money allocated to the state revenue sharing distribution formula. This has continued through the present year, and continues to be a burden on the General Fund Budget. The combination of a slow economy, a new formula for distribution, and fewer dollars allocated to the formula, compounded by population losses, has reduced state revenue sharing payments to Huntington Woods for the past six fiscal years. Further reductions are anticipated in light of the State's current budget crisis.

Chart 1: Employment by Occupation



Source: Data U. S. Census Bureau, 2000  
 \*Population 25 years and over

In the 1990's, the City met the financial goals and objectives it adopted in 1991. It began rebuilding an aging infra-structure, adequately funding post retirement reserves, and moving from a general fund deficit in 1990 to cash reserves of approximately \$1.3 million dollars in 2000. The cash reserves have allowed the City to weather a short-term financial downfall. A two- to three-year recession, reducing city revenues, could be eased by the

cash reserves or “rainy day fund.” In light of current trends and the downturn in the economy, these revenues are insufficient to sustain the City. The numerous changes to state law included in Proposal A, when compounded with the changes in revenue sharing, have limited and reduced the City’s revenues well into the future. The City’s revenue limits and reductions are now structural in nature, and not short term.

Federal and State policies of the past two decades have required cities to become increasingly dependent on local property taxes, and fee based services, while the State has limited property taxes to the rate of inflation. Huntington Woods, a small community with a residential tax base, and a small population has a difficult time maintaining the current level of services in the current financial environment. The changes requested by the City Commission in 2003 have been accomplished to the extent possible. We will be watching the state legislature carefully, and engage in initiatives that prevent further reductions of revenue sharing.

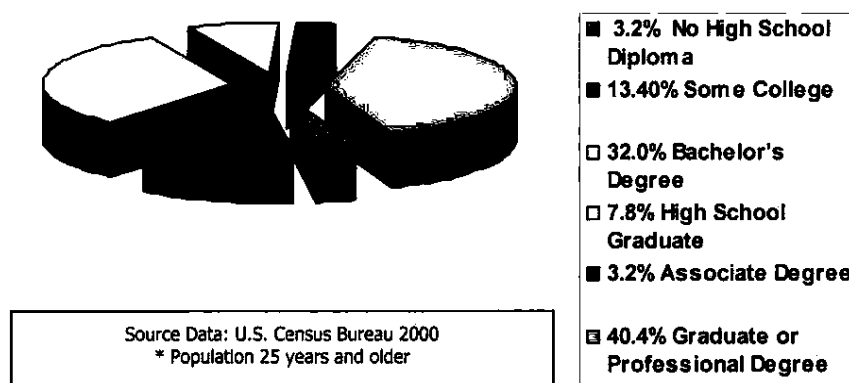
### Demographics and Local Government Structure

The City of Huntington Woods was incorporated in 1926 as a full service municipality located in the S.E. Corner of Oakland County, Michigan. The City is approximately 1.5 square miles with a 2000 census population of 6151. The City has no industrial or light industrial base. Oakland County Assessing department placed the City’s (SEV) State Equalized Value as of December 31, 2006 at \$445,120,150, and the Taxable Value at \$319,211,250. The City Charter requires the establishment of a Commission-Manager form of government. The City Commission is comprised of 5 members whom are elected at large for two and three year staggered terms. They are responsible for the appointment of the City Manager, Attorney and Chief of Police, and for approving of the appointment of the City Treasurer and City Clerk. The Commission is also responsible for enacting a set of ordinances and resolutions that govern the operation of the City. The City Manager is appointed by the City Commission and works at their pleasure. The Manager may hire department personnel at his discretion in order for effective operation of all city departments.

The City of Huntington Woods is entirely developed. Less than ½ of 1% of the urban lots in Huntington Woods remains undeveloped. The vast majority of the housing stock in Huntington Woods is comprised of single-family residential properties. The City has for the last two decades been in a no growth condition, with the exception of the current propensity for the redevelopment of residential single-family structures.

The City of Huntington Woods, like other municipalities, has its own unique demographics, culture and municipal service mix. The City has remained, for several decades, an extremely desirable residential community within the greater Detroit metropolitan area. As seen in Chart 1 above, the City boasts a relatively high population of residents employed in management, professional and related occupations. Moreover, the City’s estimated 2005 median household income of \$97,055 is among the highest in Oakland County.

Chart 2: Educational Attainment



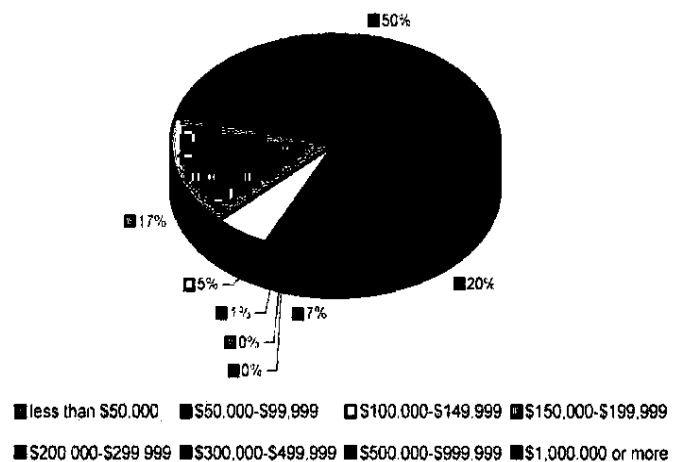
Other Oakland County communities also have populations that are generally affluent and educated, but Huntington Woods differs from these in some important respects. The City itself is not typical of the new, burgeoning suburban communities that comprise much of Oakland County. In contrast, much of the east side of the City was developed in the 1920s, and the west side in

the 1940s. The housing stock ranges from large tudor and brick colonial homes to smaller bungalows and ranches. Moreover, the City is physically structured as a “small-town,” as opposed to the sprawling, impersonal persona of many suburbs. Within this structure, the “small-town” feel and related community amenities are readily apparent. Service levels are very high and include significant investment in amenities geared toward community-related cultural and activity-based services. Community involvement is also high with significant participation in committee work pertaining to municipal governance and policymaking.

Essentially, a large number of residents embrace the City for the unique sense of community, and related values that have developed.

Not unexpectedly, service demand in Huntington Woods is extremely high. As later detailed in this report, residents enjoy a number of services that are unknown or infrequently provided in other communities. Other more common services are provided at a much higher level in Huntington Woods. Though it can't be quantified, it is highly likely that these services tend to make Huntington Woods more desirable to prospective property owners, thus providing a residual value to existing owners. As seen in Chart 3, property values are relatively high, and most listed properties sell within a fairly short time period. A general downturn in the housing market regionally has impacted

**Chart 3: Residential Value**



Source: Data from U.S. Census Bureau 2000

\*Median value in 2000 dollars is \$245,400

Huntington Woods for the first time in recent memory. The City has seen a rise in housing availability due to slow sales. Property tax payments have been slow to arrive, and there has been a sharp rise in homes facing foreclosure.

### Current Projects and Major Initiatives

1. The City of Huntington Woods residents passed a new millage in 2003. At present, the City is in the process of realizing the revenue that can be attributed to the millage over-ride. The increase in millage has been a critical component in the City's recovery efforts. The Chart prepared below illustrates the impact of this millage adjustment. The results of the increase millage revenue at a time when State Shared Revenue and other revenues have declined have begun to stop the reduction in the use of un-appropriated fund assets. The goal established by the Ad-Hoc Committee in cooperation with the City Commission and the Administration has established a positive equity picture in fiscal years 2006 and 2007. The fund balance appropriation for the 2006-07 budget approved in May 2006 was zero, and zero in the 2007-2008 budget as well.

### ACTUAL GENERAL FUND UNRESERVED FUND BALANCE AND PROJECTED SURPLUS (DEFICITS) FISCAL YEARS 2002-2008

FISCAL YEAR	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
REVENUE (INFLOWS)	\$ 4,715,398	\$ 4,699,947	\$ 4,781,615	\$ 5,270,589	\$ 5,653,884	\$ 5,975,516	\$ 6,457,182
EXPENDITURE (OUTFLOWS)	4,843,098	4,941,083	5,033,289	5,417,544	5,817,937	5,864,513	6,457,182
FUND BALANCE ACTUAL	1,282,282	1,041,146	789,472	642,517	478,464	589,467	589,467
ACTUAL/PROJECTED SURPLUS (DEFICIT)	\$ (127,700)	\$ (241,136)	\$ (251,674)	\$ (146,955)	\$ (164,053)	\$ 111,003	\$ -

2. The Rackham Golf Course has graced our southern border for over eighty years. The course has a stunning history in the region, and by any measure can be judged as one of the finest public golf courses in the nation. Although owned by the City of Detroit, the property is within the jurisdictional boundaries of Huntington Woods. The Golf Course has been operated for 81 years and is a constant reminder of the philanthropic efforts of Horace and Mary Rackham, who believed wholeheartedly in preserving parkland for public use. Numerous attempts at purchasing the property through contract negotiations with the City of Detroit have failed as of end of the fiscal year. The City is still in the process of pursuing legal remedies to control the use of the property. An Appellate Court decision will be forthcoming in the future. The Rackham Defense Fund was established during the fiscal year to provide a method of segregating legal costs. The City asked the residents to approve a three year .50 mill per year levy to pay for such legal costs. The millage was approved by voters in February 2007 and will be levied beginning July 1, 2007.

### **Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Huntington Woods, Michigan for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the second consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR). This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **Acknowledgements**

The City of Huntington Woods is proud to bring to our residents a record keeping recognized by national standard associations for comprehensiveness and quality. Our first goal however is to provide a level of service unmatched in the region for a unit of government our size. In doing so the City has recently received an AA+ risk rating for the issuance of debt. The rating lets our residents know that the financial community believes that the risks associated with providing debt service to Huntington Woods is minimal. The goal is to keep the rating at its highest level and continue to impress upon Wall Street that Huntington Woods is able to weather the storm of recessionary times.

The effort of the finance staff in preparing a document of this nature cannot be underestimated. The disclosure of data from its raw trial balance format to the CAFR is a large task that consumes substantial time and effort. The City Manager and Finance Department will continue to look at ways to make this report as readable as possible. Please do not hesitate to comment and report to us your concerns. Lastly, recognition of our boards and commissions must be given, as their efforts continue to ensure that Huntington Woods can offer the finest living environment in Southeastern Oakland County.

Respectfully Transmitted,

Richard T. Lehmann  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Huntington Woods  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



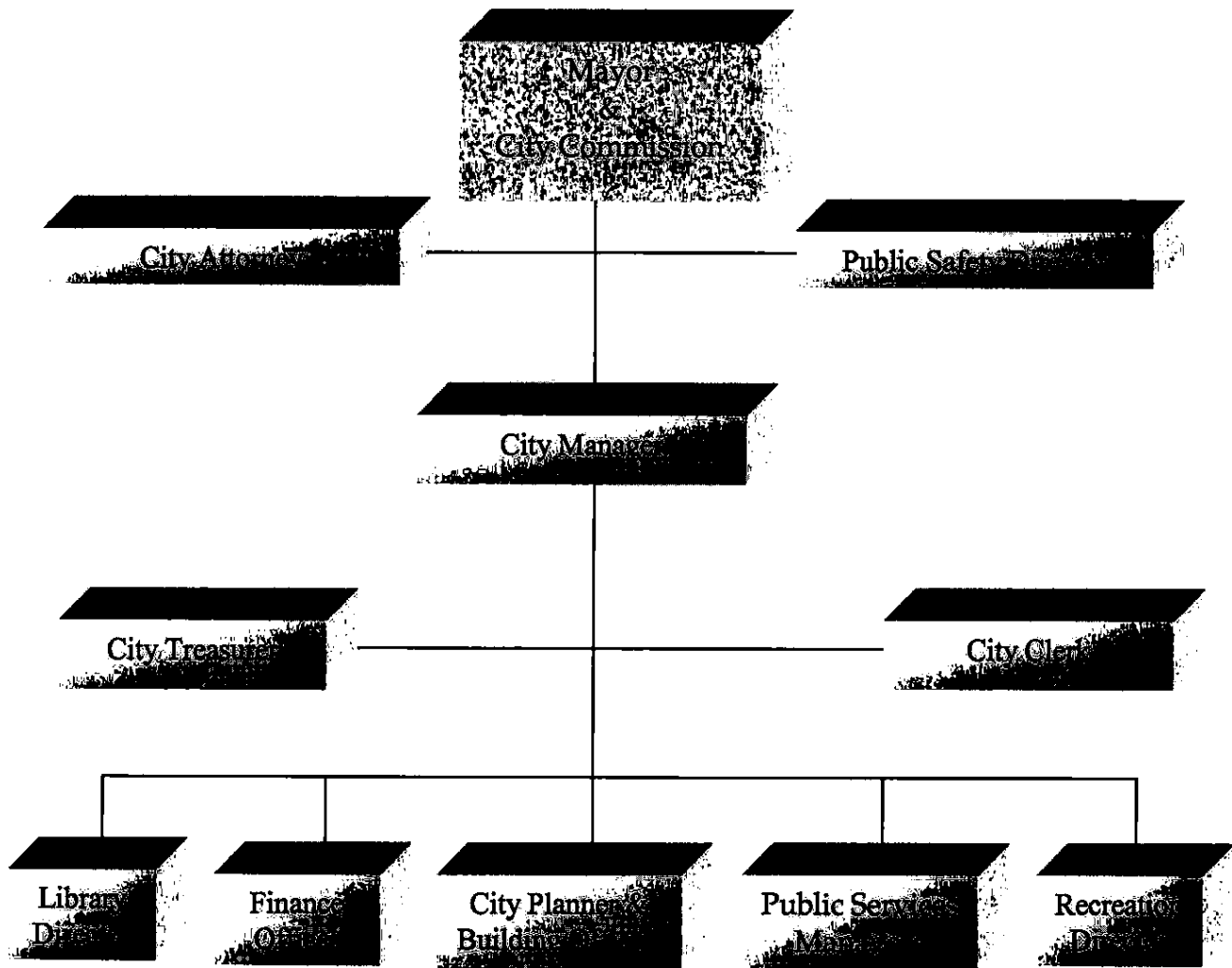
*Charles S. Cox*

President

*Jeffrey R. Enser*

Executive Director

# ORGANIZATIONAL CHART



City Attorney, City Manager, Public Safety Director are appointed by the City Commission  
 City Treasurer is appointed by the City Manager, approval of the City Commission



**City of Huntington Woods, Michigan**  
**Principal Officials**

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**Principal Officials - 2007**

Mayor	Ronald Gillham
Mayor Pro-Tem	Mary White
Commissioners	Jeffrey Jenks Phyllis Kramer Robert Paul
City Attorneys	Bert Shifman John Carlson
City Manager	Alex Allie
City Clerk	Ruth Franzoni
City Treasurer	Joy Solanskey
Deputy Finance Director/Deputy City Treasurer	Richelle Scott
Finance Director	Richard Lehmann
Public Safety Director	Steve Fairman
Library Director	Rochelle Gach
Recreation Director	Nancy Waldmann
DPS Managers	Claire Galed Larry Harworth
Planning Official	Bonnie Cook

# City of Huntington Woods, Michigan

## Fund Organization Chart

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### **Governmental Funds**

#### General\*

#### Special Revenue

- Major Streets
- Local Streets
- Capital Planning
- Recreation\*
- Sanitation\*
- Rackham\*

#### Debt Service

- General Debt Service
- Street Debt Service
- GWK Drain Debt Service

#### Capital Projects\*

### **Proprietary Funds**

#### Enterprise

- Water and Sewer\*

#### Internal Service

- Equipment
- Retirement Benefits
- Health Insurance

### **Fiduciary Funds**

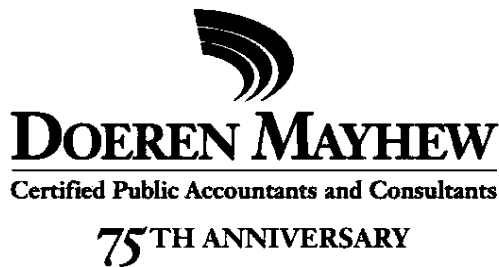
#### Agency

- Agency

\* Major funds under GASB Number 34

## **Financial Section**

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Independent Auditor's Report

To the Honorable Mayor and Members of the City Commission  
of the City of Huntington Woods, Michigan

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Huntington Woods, Michigan as of June 30, 2007, and for the year then ended which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Huntington Woods, Michigan's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Huntington Woods, Michigan as of June 30, 2007, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2007 on our consideration of the City of Huntington Woods, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

## DOEREN MAYHEW

The management's discussion and analysis and budgetary comparison information on pages 3 through 9, and 43 through 47 and 51 through 56 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the City of Huntington Woods, Michigan's basic financial statements. The introductory section, combining and individual non-major fund financial statements and the accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Huntington Woods, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the financial statements taken as a whole. The statistical section on pages 61 through 79 is not a required part of the basic financial statements, and we did not audit and do not express an opinion on such information.

  
DOEREN MAYHEW

December 11, 2007  
Troy, Michigan

## **Management's Discussion and Analysis**

# City of Huntington Woods, Michigan

## Management's Discussion and Analysis

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The City of Huntington Woods, Michigan's (the "City's") management discussion and analysis (MD&A) is designed to provide an objective and easy to read analysis of the City's financial activities based on current information and facts. The MD&A is intended to serve as an introduction to the City's basic financial statements. This information is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), identify significant variances from the approved budget, and identify individual fund issues.

### Overview of the Financial Statements

The City's annual report follows a prescribed format in accordance with the requirements of all Governmental Accounting Standards Board Statements, as well as Generally Accepted Accounting Principles.

Within the financial section of this comprehensive annual financial report are four major parts: (1) management's discussion and analysis, (2) the basic financial statements, (3) required supplemental information, and (4) other supplemental information that presents combining statements for non-major governmental, internal service and agency funds. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial condition. Other statements are presented on a fund level basis, that focus on individual funds and report operations in more detail than the government-wide statements.

The information contained within this MD&A is only a component of the entire financial statements. Readers are encouraged to read the remaining statements thoroughly for a comprehensive understanding of the City's financial health.

### Government-wide Statements

The government-wide statements report information about the City as a whole, using accounting methods similar to those used by private sector, and are therefore prepared using the accrual basis of accounting. These statements provide a longer-term view of the City's finances and whether taxpayers have funded the full cost of providing governmental services. The first two statements are government-wide financial statements and include the following:

- The statement of net assets presents information pertaining to all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets will serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The statement of activities accounts for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will result in cash inflow or outflow in future fiscal periods. The primary purpose of this statement is to highlight the relative cost of providing services to the City's residents and the net impact of these services on total net assets.

Both of the government-wide financial statements distinguish functions of the City that are primarily supported by taxes and intergovernmental revenues (governmental activities) or from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include legislative, general government, public safety, public works, library, building and planning, culture and recreation. The business-type activity of the City includes the water distribution and sewer-disposal system.

# City of Huntington Woods, Michigan

## Management's Discussion and Analysis, continued

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### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund level financial statements report the City's operations in more detail than the Government-wide financial statements. The City uses fund accounting to comply with finance-related legal requirements. The City's three fund financial statements include the following:

- Governmental funds - Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow and the fund balances remaining at the end of the year end that are available for spending. The government fund statements provide a detailed short-term view that helps the reader determine the amount of financial resources that can be spent in the near future to finance the City's programs. The City maintains five major individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, Sanitation fund, Recreation fund, Capital Projects fund and the Rackham Defense fund. The City's other non-major governmental funds are combined into a single statement, individual fund data for each of these funds is provided as combining statements in the section entitled "Other Supplemental Information." The non-major governmental funds include Major Street fund, Local Street fund, Capital Planning fund, Debt Service fund, Street Debt Service fund and GWK Debt fund.
- Proprietary funds - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long-term and short-term financial information. The City uses two types of proprietary funds: the Water and Sewer fund is an enterprise fund, which charges residents usage fees. The other proprietary fund type is internal service funds, of which the City has three, which are used to report activities that provide services to the other City funds and activities, typically covered by charges to other City departments. Individual financial statements are presented for each fund in the section entitled "Other Supplemental Information". The activities of the internal service funds are eliminated in the government-wide statements to avoid duplicate reporting of revenues and expenses. The internal service funds include the Equipment fund, Retirement Benefits fund and the Health Insurance fund.
- Fiduciary funds - Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. These funds are custodial in nature (assets equals liabilities) and do not involve measurement of results of operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations. However, these amounts may be appropriated to the Capital Planning fund for use at the discretion of the City Commission.

### Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information. This information includes budgetary comparisons for the City's General fund, Sanitation fund, Recreation fund, and Capital Projects fund. Following the required supplemental information is a section containing other supplemental information. This includes combining statements for the City's non-major governmental funds, internal service funds and fiduciary funds. Immediately following the supplemental information is a statistical section, which provides certain information pertaining to general government revenues, expenditures, tax revenues and collections, demographic, and other statistical information.



## **City of Huntington Woods, Michigan**

### **Management's Discussion and Analysis, continued**

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#### **Budgetary Basis of Recording: Major Governmental Funds**

Actual results of the general fund versus its budget as established and amended by the City Commission revealed a positive difference of \$111,003. Since the millage vote passed in 2003, the City is reducing its reliance on the re-appropriation of general fund balance as is shown in the chart on page X of the transmittal letter. The City has been forced by reductions in revenue and increases in a variety of expenditure categories to re-appropriate nearly one million dollars to balance budgets. In the current year, the City reduced its reliance on fund balance for the second year in a row and this trend should continue. As of June 30, 2007 there are 3.8737 mills un-levied millage the City may use to adjust for reductions in revenue sharing, inflationary pressures and escalating health care costs. On the expenditure side, the City was able to spend \$191,169 less than what was appropriated. Revenues were within 1% of budgeted estimates. The new millage installed in 2003 has now allowed the City to set-up a Budget Stabilization Fund for fiscal year 2007-2008. This fund's sole purpose is to place monies in reserve outside of the General Fund. Statutorily these funds may only be used only upon the consent of the City Commission on an emergency basis where monies are not available under unforeseen circumstances.

Other fund net operational costs were mixed, however generally positive in nature. The decimation of our Ash Tree stock caused by insect infestation caused the City to spend upwards of \$250,000 over a span of 5 years to cut down diseased trees. These monies were primarily expensed from the Major, Local and Sanitation Funds, where fund balances have been reduced as a result of these costs. Other major funds such as the Recreation fund fared well. A marked decrease in the level of un-appropriated fund excess has occurred primarily in the Sanitation fund where the fund balance has fallen precipitously. The additional costs were incurred as the City was working on a new cardboard collection initiative. A new contract with the Southeastern Oakland County Resource Recovery Authority and region-wide cardboard program will reduce the reliance on fund balance in this fund.

#### **A. LAND AND PARK PRESERVATION INITIATIVES**

The Rackham Golf Course land and park preservation issue has not been resolved. The City requested that the Commission issue a referendum that would allow the citizens of Huntington Woods to vote on a tax that would pay for the legal challenge presented by the City of Detroit and the potential development of Rackham Golf Course. The Rackham Golf Course represents 13% of the City's land mass, therefore it is very important to the future of the City. The vote passed overwhelmingly, and the City prepared the 2007-08 budget showing a .50 mill levy to assist in paying-down the debt that had accrued in the Rackham Legal Defense Fund, which at year-end totaled \$205,685.

#### **B. GASB 43 and 45 (OPEB) OTHER POST EMPLOYMENT BENEFITS REQUIREMENTS**

The City will be required beginning the first fiscal year ending after December 31, 2009 to disclose information pertaining to the plan, cost, and unfunded liability as they pertain to OPEB benefits. In order to do so, the City entered into an agreement with an actuarial firm to study the cost of OPEB benefits in the future. The results of the study will be the basis for disclosing the amount of money that is required in present day dollars (present value) to fund the cost of health care in the future for the current retirees and the present city employees. The unfunded actuarial accrued liability (UAAL) will be key to establishing what the annual required contribution (ARC) will be. We are well on our way in our review in order to establish the total unfunded liability, as well as the ARC. The administration believes this figure will be very large and amount to a cost approaching 15% of payroll or \$475,000 as of December 31, 2008. This present value projection will be the amount the City is required to fund in its entirety every year. The City of Huntington Woods currently spent \$335,397 to pay for the current cost of retiree health care, although this is being done as a pay-as-you-go basis. The City will be required to annually pay for the present cost of health care of its retirees, and as required by the GASB pronouncement, fund the ARC each year. Any amount of the ARC remaining unfunded in any given year will be shown as an increase in liability in the next fiscal year. Without any question, the changes brought about by the GASB to disclose the long-term cost and financial implications of OPEB benefits on the financial statement cannot be understated or underestimated.

## City of Huntington Woods, Michigan

### Management's Discussion and Analysis, continued

In the short-term, the City will need to look carefully at the ramifications of funding these UAAL costs and plan to pay the ARC in its entirety each year. There is no question that the services we provide and the balances we maintain in our governmental and enterprise funds will be compromised by the decision to fully fund the ARC each year. Minimum fund balance levels will become an issue as the City is obligated to finish the year with a balanced budget as per the Uniform Budget Act. Any unforeseen expenditure will cause the budget to be overspent, therefore creating a negative variance and reducing fund balance further.

#### Financial Position Statement

The results of operation this year are encouraging. The City added just over \$111,000 to the un-appropriated fund balance. The budget for 2007-08 (adopted by the City Commission in May) required the City to post an addition to the fund balance, as well. The use of fund balance to balance the budget has continued due to many factors. The State of Michigan Legislature has recently decreased the State Shared Revenue distributions again, and revenues are generally down across the board. Building permits suffered this year as well. The City reduced the intake in this line item by approximately \$100,000 from the previous years' amounts. Largely, the City's aggressive stance in the investment area allowed the City to show a very positive interest earnings picture. The credit risk associated with the financial portfolio at year's end is very small as all of the bonds in the portfolio are either AAA by Standard and Poor's Ratings or high grade and triple rated. This balance was the chief reason the City was able to post a positive gain in earnings.

The millage override vote in 2003 has been critical to the City in its efforts to post a balanced 2006-2007 budget. At this point the City has utilized 1.00 mill of the override. The City will be able to continue increasing the millage levy at the discretion of the City Commission until the new millage equals the declining Headlee tax millage limit. At that point, the City may not levy additional millage. Therefore, although the millage over-ride vote brought the millage up to 20 mills as per the charter, the dynamics of the Headlee formula will prevent the City from ever levying an amount equal to this value. The chart below serves as an illustration of this principle:

			Yearly	Yearly
	Amount of	Maximum	Increase/Decrease	Increase/Decrease
Year	Additional	Amount	Over Prior Year's	Over No Millage
	Levy	Levied	Levy	Levy
2006	0.5000	14.4748	0.2148	1.7303
2007	0.5000	14.6853	0.2105	2.1957
2008	0.5000	14.8916	0.2063	2.6518
2009	0.5000	15.0938	0.2022	3.0987
2010	0.5000	15.2919	0.1981	3.5368
2011	0.5000	15.4860	0.1942	3.9660
2012	0.5000	15.6763	0.1903	4.3867
2013	0.5000	15.8628	0.1865	4.7990
2014	0.5000	15.7889	-0.0739	4.9463
2015	0.0000	15.4775	-0.3114	4.8518
2016	0.0000	15.1680	-0.3096	4.7548

# City of Huntington Woods, Michigan

## Management's Discussion and Analysis, continued

### The City of Huntington Woods as a Whole

The City's combined total of net assets for the fiscal year ended June 30, 2007 is approximately \$20 million. Comparative analysis of government-wide data is being presented for fiscal years 2007 and 2006.

Combined unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, is reported as \$3.2 million in fiscal year ended 2007. Of this amount, \$1.3 million is unrestricted net assets reported for the City's governmental activities.

The information below shows total assets, total liabilities and total nets assets as of June 30, 2007 and 2006, in a condensed format.

	Governmental Activities 2007	Business-Type Activities 2007	Total	Governmental Activities 2006	Business-Type Activities 2006	Total
Current Assets	\$ 3,402,158	\$ 2,079,608	\$ 5,481,766	\$ 3,124,626	\$ 2,010,027	\$ 5,134,653
Capital Assets	25,949,063	2,522,823	28,471,886	26,656,857	2,623,592	29,280,449
Total assets	29,351,221	4,602,431	33,953,652	29,781,483	4,633,619	34,415,102
Long-Term Debt	11,684,972	-	11,684,972	12,612,552	170,653	12,783,205
Other Liabilities	2,137,346	126,410	2,263,756	1,218,769	164,965	1,383,734
Total liabilities	13,822,318	126,410	13,948,728	13,831,321	335,618	14,166,939
Net Assets						
Invested in Capital Assets,						
Net of Debt	14,080,851	2,522,823	16,603,674	14,050,776	2,452,939	16,503,715
Restricted	136,015	-	136,015	136,015	-	136,015
Unrestricted	1,312,037	1,953,198	3,265,235	1,763,371	1,845,062	3,608,433
Total Net Assets	\$ 15,528,903	\$ 4,476,021	\$ 20,004,924	\$ 15,950,162	\$ 4,298,001	\$ 20,248,163

# City of Huntington Woods, Michigan

## Management's Discussion and Analysis, continued

The following shows the change in net assets as of June 30, 2007 and 2006, in a condensed format.

	Governmental Activities 2007	Business-Type Activities 2007	Total	Governmental Activities 2006	Business-Type Activities 2006	Total
<b>Program Revenues:</b>						
Charges for services	\$ 1,930,960	\$ 1,753,080	\$ 3,684,040	\$ 1,997,721	\$ 1,721,141	\$ 3,718,862
Operating grants and contributions	405,202	-	405,202	397,712	-	397,712
Capital grants and contributions	16,507	-	16,507	9,055	-	9,055
<b>General Revenues:</b>						
Property taxes	6,224,155	-	6,224,155	5,783,176	-	5,783,176
State-shared revenues	579,403	-	579,403	586,265	-	586,265
Interest earnings	273,579	88,316	361,895	152,226	40,942	193,168
Other revenue	289,013	-	289,013	185,778	-	185,778
<b>Total revenues</b>	<b>9,718,819</b>	<b>1,841,396</b>	<b>11,560,215</b>	<b>9,111,933</b>	<b>1,762,083</b>	<b>10,874,016</b>
<b>Program Expenses:</b>						
General government	4,174,262	-	4,174,262	3,718,636	-	3,718,636
Public safety	1,700,061	-	1,700,061	1,682,452	-	1,682,452
Public works	216,382	-	216,382	264,741	-	264,741
Library	509,744	-	509,744	452,332	-	452,332
Maintenance	431,734	-	431,734	408,529	-	408,529
Traffic services	27,329	-	27,329	33,308	-	33,308
Snow and ice removal	48,074	-	48,074	43,966	-	43,966
Administrative	480,125	-	480,125	114,557	-	114,557
Aquatic Club	192,837	-	192,837	182,307	-	182,307
Recreation	1,585,518	-	1,585,518	1,528,134	-	1,528,134
Capital outlay	431,959	-	431,959	-	-	-
Interest expense	463,450	-	463,450	495,986	-	495,986
Water	-	1,541,979	1,541,979	-	1,499,103	1,499,103
<b>Total program Expenses</b>	<b>10,261,475</b>	<b>1,541,979</b>	<b>11,803,454</b>	<b>8,924,948</b>	<b>1,499,103</b>	<b>10,424,051</b>
<b>Excess (Deficiency) Before Transfers</b>	<b>(542,656)</b>	<b>299,417</b>	<b>(243,239)</b>	<b>186,985</b>	<b>262,980</b>	<b>449,965</b>
<b>Transfers</b>	<b>121,397</b>	<b>(121,397)</b>	<b>-</b>	<b>116,444</b>	<b>(116,444)</b>	<b>-</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(421,259)</b>	<b>178,020</b>	<b>(243,239)</b>	<b>303,429</b>	<b>146,536</b>	<b>449,965</b>
<b>Net Assets - Beginning of Year</b>	<b>15,950,162</b>	<b>4,298,001</b>	<b>20,248,163</b>	<b>15,646,733</b>	<b>4,151,465</b>	<b>19,798,198</b>
<b>Net Assets - End of Year</b>	<b>\$ 15,528,903</b>	<b>\$ 4,476,021</b>	<b>\$ 20,004,924</b>	<b>\$ 15,950,162</b>	<b>\$ 4,298,001</b>	<b>\$ 20,248,163</b>

The City's net assets decreased insignificantly by approximately \$243,000 this year, although most of the change occurred in the governmental activities. Business activity net assets increased. The City Commission has now implemented a majority of the changes that were initiated by the Ad Hoc Operational and Financial and Analysis Committee. The increase in millage by .50 mills per year (as approved by the City Commission), associated with the changes already made will allow the City to increase the fund balance over the next few fiscal years. To date, as of the end of the fiscal year, the City has utilized 1.50 mills of the millage over-ride, and has a current cushion of 3.8737 mills.

The City began a sidewalk replacement program in 2007. This program assesses the cost of the replacement of residential sidewalks to each homeowner that abuts the sidewalk slab being replaced. The exceptions are properties owned by the City as these costs of the concrete replacement program (for city work) will be borne by the Major and Local Street funds.

## City of Huntington Woods, Michigan

### Management's Discussion and Analysis, continued

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Looking forward, the City is at a point where our long-term debt will increase over the next 3-4 years. The long-term debt picture shows a total of \$11,874,572 in total debt obligations. In February 2007, the City Commission approved an increase in its indebtedness by issuing limited General Obligation (G.O.) Bonds for the repair of Eleven Mile Road. The bonds were actually issued July 1, 2007. These bonds will not be supported by the millage, but will be paid for by current assets and revenue proceeds in the Major Road fund and Water fund. As of June 30, 2007, the principal debt balance was reduced by \$908,633 (Note 4). All the debt of the City as of June 30, 2007 is covered by voted millage with the exception of a small installment loan on a sewer vacor and a transit bus. The City, therefore, may levy the amount of the millage in any given year equal to the amount needed to pay its current year bonded debt obligations. The amount of millage needed to pay this debt in 2006-07 was 3.7498 mills, which includes overlapping debt for the Oakland County GWK Drain. The statutory limit on the debt levy for the City equals 10% of the State Equalized Value or \$44.5 million. The City currently has debt outstanding equal to 2.6% of this value.

- The City is in the process of reviewing its debt options on local road reconstruction and on the Rackham Golf Course acquisition project mentioned earlier in this management's discussion and analysis.

Transfers - out of the General fund decreased by approximately \$111,200 this fiscal year. This is primarily due to a reduction of the amount transferred to the Post Retirement fund. The General fund transferred \$570,889 to the Recreation fund in 2007, this is an increase over the \$501,889 that was transferred in 2006. The City still maintains a high level of recreation programming. Once again the Recreation Department had a very good year and increased its programming efforts significantly. This increase allowed the Recreation fund to increase its fund equity substantially as mentioned earlier.

#### SUMMARY

The City has made progress in reducing its reliance on General fund reserves for the second year in a row. This positive trend is encouraging. The City will be carefully looking at the impact of new debt on our total millage levy, and debt margin, as the Rackham property development, and the re-paving of our local roads will be an issue in 2008. The Administration and City Commission have room under the 2003 millage over-ride vote available for operations. In order to assure the City has money set aside for the future, the City Commission voted to begin the process of placing a Budget Stabilization Fund into the budget as of 2007-08. Fully funding the Stabilization Fund and OPEB will be the goal of the City in the next few years.

The Eleven Mile Road construction project began in 2006-2007, and will continue through the next fiscal year. Monies for the re-construction will be derived from numerous sources including: Special Revenue fund and Enterprise fund appropriations, State and Federal Grants and unlimited G.O. Debt.

The City has taken proactive steps to complete actuarial studies on the impact of GASB's 43 and 45. The impact of these changes will be felt in 2009, although the City may at its discretion implement these changes early. Based upon the preliminary report and data from other similar communities, we believe that the impact of the pronouncements will be detrimental to the General fund. Without question, further reductions will be needed in order to adequately fund these initiatives.

This report is intended to provide the citizens, taxpayers, customers and investors with a general overview of the City's financial position. Care has been taken to clearly and accurately describe the financial state of the City as of the close of business on June 30, 2007. We would welcome any comments on its content and presentation. Please feel free to contact the City Finance Department should you have any comments or need clarification on any of the financial statements.

# **Basic Financial Statements**

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**CITY OF HUNTINGTON WOODS, MICHIGAN**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents (note 1)	\$ 511,787	\$ 56,461	\$ 568,248
Investments (note 2)	2,515,140	1,424,502	3,939,642
Receivables			
Accounts receivable	297,307	531,178	828,485
Contracts	39,749	-	39,749
Special assessments	12,810	-	12,810
Accrued interest	25,365	-	25,365
Inventories	-	67,467	67,467
Capital assets, net (note 3)			
Assets not depreciated	89,802	1,000	90,802
Construction-in-progress	3,748,688	-	3,748,688
Assets being depreciated	22,110,573	2,521,823	24,632,396
<b>Total assets</b>	<b>29,351,221</b>	<b>4,602,431</b>	<b>33,953,652</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable and contract retainages	591,366	47,006	638,372
Bank overdraft	591,593	-	591,593
Accrued expenses	88,858	59,589	148,447
Deposits	24,663	19,815	44,478
Current portion of long-term obligations (note 4)	840,866	-	840,866
<b>Total current liabilities</b>	<b>2,137,346</b>	<b>126,410</b>	<b>2,263,756</b>
<b>Noncurrent Liabilities</b>			
Other liabilities	651,266	-	651,266
Noncurrent portion of long-term obligations (note 4)	11,033,706	-	11,033,706
<b>Total noncurrent liabilities</b>	<b>11,684,972</b>	<b>-</b>	<b>11,684,972</b>
<b>Total liabilities</b>	<b>13,822,318</b>	<b>126,410</b>	<b>13,948,728</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	14,080,851	2,522,823	16,603,674
Restricted for			
Construction projects	136,015	-	136,015
Unrestricted	1,312,037	1,953,198	3,265,235
<b>Total net assets</b>	<b>\$ 15,528,903</b>	<b>\$ 4,476,021</b>	<b>\$ 20,004,924</b>

See accompanying notes to financial statements

**CITY OF HUNTINGTON WOODS, MICHIGAN**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 4,174,262	\$ 474,561	\$ -	\$ 12,581	\$ (3,687,120)	\$ -	\$ (3,687,120)
Public safety	1,700,061	170,410	-	3,926	(1,525,725)	-	(1,525,725)
Public works	216,382	180,705	-	-	(35,677)	-	(35,677)
Library	509,744	73,739	6,640	-	(429,365)	-	(429,365)
Maintenance	431,734	-	398,562	-	(33,172)	-	(33,172)
Traffic services	27,329	-	-	-	(27,329)	-	(27,329)
Snow and ice removal	48,074	-	-	-	(48,074)	-	(48,074)
Administrative	480,125	-	-	-	(480,125)	-	(480,125)
Aquatic Club	192,837	187,355	-	-	(5,482)	-	(5,482)
Recreation	1,585,518	844,190	-	-	(741,328)	-	(741,328)
Capital outlay	431,959	-	-	-	(431,959)	-	(431,959)
Interest on long-term debt	463,450	-	-	-	(463,450)	-	(463,450)
Total governmental activities	10,261,475	1,930,960	405,202	16,507	(7,908,806)	-	(7,908,806)
Business-type activities							
Water	1,541,979	1,733,080	-	-	-	211,101	211,101
Total primary government	\$ 11,803,454	\$ 3,684,040	\$ 405,202	\$ 16,507	(7,908,806)	211,101	(7,697,705)
		General revenues and transfers					
		Property taxes, levied for general purposes					
		Property taxes, levied for debt service purposes					
		State-shared revenues, unrestricted					
		Interest and investment earnings					
		Other					
		Transfers					
		Total general revenues and transfers					
		Changes in net assets					
		Net Assets - July 1, 2006					
		Net Assets - June 30, 2007					
		\$ 15,528,903	\$ 4,476,021	\$ -	\$ 15,528,903	\$ 4,476,021	\$ 20,004,924



**CITY OF HUNTINGTON WOODS, MICHIGAN**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

**ASSETS**

	<b>Major Funds</b>					<b>Other Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Sanitation Fund</b>	<b>Recreation Fund</b>	<b>Capital Projects</b>	<b>Rackham Defense</b>		
Cash and cash equivalents	\$ -	\$ -	\$ 145,894	\$ -	\$ -	\$ 107,002	\$ 252,896
Investments	563,683	247,000	120,000	6,215	-	783,942	1,720,840
Receivables							
Accounts receivable	116,762	-	-	35,907	-	144,638	297,307
Taxes	35,046	4,188	515	-	-	-	39,749
Inventories	25,365	-	-	-	-	-	25,365
Prepaid items	12,810	-	-	-	-	-	12,810
<b>Total assets</b>	<b>\$ 753,666</b>	<b>\$ 251,188</b>	<b>\$ 266,409</b>	<b>\$ 42,122</b>	<b>\$ -</b>	<b>\$ 1,035,582</b>	<b>\$ 2,348,967</b>

**LIABILITIES AND FUND BALANCE**

<b>Liabilities</b>							
Accounts payable	\$ 60,787	\$ 33,162	\$ 37,002	\$ 411,619	\$ 24,881	\$ 19,508	\$ 586,959
Bank overdraft	42,494	204,103	-	157,105	180,804	6,325	590,831
Accrued and other liabilities	43,719	1,609	38,110	-	-	4,454	87,892
Other liabilities	17,199	-	7,464	-	-	-	24,663
<b>Total liabilities</b>	<b>164,199</b>	<b>238,874</b>	<b>82,576</b>	<b>568,724</b>	<b>205,685</b>	<b>30,287</b>	<b>1,290,345</b>
<b>Fund Balances</b>							
Reserved for							
Special Revenue Funds	-	-	-	-	-	136,015	136,015
Unreserved							
Designated	73,194	-	-	-	-	-	73,194
Capital Projects	-	-	-	(526,602)	-	-	(526,602)
Undesignated	516,273	12,314	183,833	-	-	-	712,420
Special Revenue Funds	-	-	-	-	(205,685)	393,218	187,533
Debt Service Funds	-	-	-	-	-	476,062	476,062
<b>Total fund balances</b>	<b>589,467</b>	<b>12,314</b>	<b>183,833</b>	<b>(526,602)</b>	<b>(205,685)</b>	<b>1,005,295</b>	<b>1,058,622</b>
<b>Total liabilities and fund balances</b>	<b>\$ 753,666</b>	<b>\$ 251,188</b>	<b>\$ 266,409</b>	<b>\$ 42,122</b>	<b>\$ -</b>	<b>\$ 1,035,582</b>	<b>\$ 2,348,967</b>

See accompanying notes to financial statements

**CITY OF HUNTINGTON WOODS, MICHIGAN**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**AND STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

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Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances for governmental funds	\$ 1,058,622
Capital assets used in governmental activities are not financial resources and are not reported in the funds	25,078,230
Long-term liabilities are not due and payable in the current period and are not reported in the funds - bonds payable	(11,737,983)
Internal Service Funds are included as part of governmental activities	1,136,395
Compensated absences are included as a liability in governmental activities	<u>(6,361)</u>
Net assets of governmental activities	<u>\$ 15,528,903</u>

See accompanying notes to financial statements

**CITY OF HUNTINGTON WOODS, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	Major Funds					Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Sanitation Fund	Recreation Fund	Capital Projects	Rackham Defense		
<b>Revenues</b>							
Property taxes and special assessments	\$ 4,387,614	\$ 525,150	\$ 64,304	\$ 46,150	\$ -	\$ 1,200,937	\$ 6,224,155
Licenses and permits	204,224	-	-	-	-	-	204,224
Intergovernmental	602,550	-	-	-	-	382,445	984,995
Charges for services	85,430	-	-	-	-	-	85,430
Aquatic Club charges	-	-	187,355	-	-	-	187,355
Program fees	-	-	844,190	-	-	-	844,190
Fines and forfeits	268,316	-	-	-	-	-	268,316
Interest	145,663	13,569	3,197	-	-	56,752	219,181
Other	281,719	4,647	-	15,000	104,161	51,437	456,964
<b>Total revenues</b>	<b>5,975,516</b>	<b>543,366</b>	<b>1,099,046</b>	<b>61,150</b>	<b>104,161</b>	<b>1,691,571</b>	<b>9,474,810</b>
<b>Expenditures</b>							
Current							
General government	1,083,023	-	-	-	-	-	1,083,023
Public safety	1,662,206	-	-	-	-	-	1,662,206
Public works	207,579	-	-	-	-	-	207,579
Library	453,451	-	-	-	-	-	453,451
Maintenance	-	-	-	-	-	431,734	431,734
Traffic services	-	-	-	-	-	27,329	27,329
Snow and ice removal	-	-	-	-	-	48,074	48,074
Administrative	-	77,261	-	57,915	309,846	35,103	480,125
Aquatic Club	-	-	192,837	-	-	-	192,837
Recreation	-	-	1,368,526	-	-	-	1,368,526
Employee benefits	1,432,607	23,947	-	-	-	-	1,456,554
Professional services	-	447,318	-	-	-	-	447,318
Capital outlay	-	-	-	530,816	-	131,129	661,945
Debt service							
Principal	-	-	-	-	-	755,347	755,347
Interest and other charges	-	-	-	-	-	463,450	463,450
<b>Total expenditures</b>	<b>4,838,866</b>	<b>548,526</b>	<b>1,561,363</b>	<b>588,731</b>	<b>309,846</b>	<b>1,892,166</b>	<b>9,739,498</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,136,650</b>	<b>(5,160)</b>	<b>(462,317)</b>	<b>(527,581)</b>	<b>(205,685)</b>	<b>(200,595)</b>	<b>(264,688)</b>
<b>Other Financing Sources (Uses)</b>							
Transfers - in	150,374	-	570,889	-	-	361,772	1,083,035
Transfers - out	(1,176,021)	(26,977)	-	-	-	(50,000)	(1,252,998)
<b>Total other financing sources (uses)</b>	<b>(1,025,647)</b>	<b>(26,977)</b>	<b>570,889</b>	<b>-</b>	<b>-</b>	<b>311,772</b>	<b>(169,963)</b>
<b>Net Change in Fund Balances</b>	<b>111,003</b>	<b>(32,137)</b>	<b>108,572</b>	<b>(527,581)</b>	<b>(205,685)</b>	<b>111,177</b>	<b>(434,651)</b>
<b>Fund Balances - July 1, 2006</b>	<b>478,464</b>	<b>44,451</b>	<b>75,261</b>	<b>979</b>	<b>-</b>	<b>894,118</b>	<b>1,493,273</b>
<b>Fund Balances - June 30, 2007</b>	<b>\$ 589,467</b>	<b>\$ 12,314</b>	<b>\$ 183,833</b>	<b>\$ (526,602)</b>	<b>\$ (205,685)</b>	<b>\$ 1,005,295</b>	<b>\$ 1,058,622</b>

See accompanying notes to financial statements

**CITY OF HUNTINGTON WOODS, MICHIGAN**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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Net change in fund balances - total governmental funds	\$ (434,651)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period	(618,622)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increased long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments	780,164
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in government funds	110
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net expenses of the Internal Service Funds is reported with governmental activities	(148,260)
Change in net assets of governmental activities	<u>\$ (421,259)</u>

See accompanying notes to financial statements

**CITY OF HUNTINGTON WOODS, MICHIGAN**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**JUNE 30, 2007**

	<b>Business-Type Activities Water Fund</b>	<b>Governmental Activities Internal Service Funds</b>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 56,461	\$ 258,891
Investments	1,424,502	794,300
Receivables	531,178	-
Inventories	67,467	-
Total current assets	2,079,608	1,053,191
Noncurrent Assets		
Capital assets, net		
Assets not depreciated	1,000	-
Assets being depreciated	2,521,823	870,833
Total noncurrent assets	2,522,823	870,833
Total assets	<u>\$ 4,602,431</u>	<u>\$ 1,924,024</u>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable and contract	\$ 47,006	\$ 4,407
Bank overdraft	-	762
Accrued expenses	59,589	966
Deposits and other	19,815	-
Current portion of long-term obligations	-	25,399
Total current liabilities	126,410	31,534
Noncurrent Liabilities		
Due to employees	-	651,266
Noncurrent portion of long-term obligations	-	104,829
Total noncurrent liabilities	-	756,095
Total liabilities	126,410	787,629
<b>Net Assets</b>		
Invested in capital assets, net of related debt	2,522,823	740,604
Restricted for		
Other purposes	-	180,000
Unrestricted	1,953,198	215,791
Total net assets	4,476,021	1,136,395
Total liabilities and net assets	<u>\$ 4,602,431</u>	<u>\$ 1,924,024</u>

See accompanying notes to financial statements

**CITY OF HUNTINGTON WOODS, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<b>Business-Type Activities Water Fund</b>	<b>Governmental Activities Internal Service Funds</b>
<b>Operating Revenues</b>		
Charges for sales and services	\$ 1,736,003	\$ -
Penalties	7,297	-
Charges to other funds of the City	-	183,659
Other	9,780	5,952
Total operating revenues	1,753,080	189,611
<b>Operating Expenses</b>		
Sewage disposal costs	528,901	-
Water purchases	290,398	-
Payroll and benefits	326,560	-
Depreciation	100,769	178,827
Other	295,351	504,802
Total operating expenses	1,541,979	683,629
<b>Operating Income (Loss)</b>	211,101	(494,018)
<b>Nonoperating Revenues</b>		
Interest income	88,316	54,398
<b>Transfers - In (Out)</b>	(121,397)	291,360
<b>Change in Net Assets</b>	178,020	(148,260)
<b>Net Assets - July 1, 2006</b>	4,298,001	1,284,655
<b>Net Assets - June 30, 2007</b>	<u>\$ 4,476,021</u>	<u>\$ 1,136,395</u>

See accompanying notes to financial statements

**CITY OF HUNTINGTON WOODS, MICHIGAN**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<b>Business-Type Activities Water Fund</b>	<b>Governmental Activities Internal Service Funds</b>
<b>Cash Flows From Operating Activities:</b>		
Receipts from customers	\$ 1,697,309	\$ 186,656
Payments to suppliers for goods and services	(1,154,775)	(127,507)
Payments to employees for services	(326,560)	(220,652)
Net cash provided from (used in) operating activities	215,974	(161,503)
<b>Cash Flows From Noncapital Financing Activities:</b>		
Interfund transfers	(121,397)	291,360
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Acquisition of property, plant and equipment	-	(25,999)
Proceeds from sale of capital assets	-	500
Bank overdraft	-	762
Payments of long-term debt	(170,653)	(24,817)
Net cash used in capital and related financing activities	(170,653)	(49,554)
<b>Cash Flows From Investing Activities:</b>		
Interest received	88,316	54,398
<b>Net Increase in Cash and Cash Equivalents</b>	12,240	134,701
<b>Cash and Cash Equivalents - July 1, 2006</b>	1,468,723	918,490
<b>Cash and Cash Equivalents - June 30, 2007</b>	<u>\$ 1,480,963</u>	<u>\$ 1,053,191</u>
<b>Reconciliation of operating income (loss) to net cash provided from (used in) operating activities:</b>		
Operating income (loss)	\$ 211,101	\$ (494,018)
Depreciation	100,769	178,827
Loss on sale of capital assets	-	2,955
<b>Adjustments to reconcile operating income (loss) to net cash provided from (used in) operating activities:</b>		
Increase in receivables	(55,771)	-
Decrease in prepaid expenses	1,730	21,028
Decrease in due from other funds	-	147,500
Increase in inventories	(3,300)	-
Decrease in accounts payable and contract	(38,022)	(9,518)
Increase in deposits and other	430	-
Decrease in due to other funds	(3,000)	-
Increase (decrease) in other liabilities	2,037	(8,277)
Total adjustments	(95,896)	150,733
<b>Net cash provided from (used in) operating activities</b>	<u>\$ 215,974</u>	<u>\$ (161,503)</u>

See accompanying notes to financial statements

**CITY OF HUNTINGTON WOODS, MICHIGAN**  
**STATEMENT OF NET ASSETS - FIDUCIARY FUNDS**  
**JUNE 30, 2007**

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	<u>Agency Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ (76,979)
Investments	<u>500,000</u>
Total assets	<u><u>\$ 423,021</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 69,934
Accrued and other liabilities	250,275
Performance deposits	<u>102,812</u>
Total liabilities	<u><u>\$ 423,021</u></u>

See accompanying notes to financial statements



**City of Huntington Woods, Michigan**  
**Notes to Financial Statements**  
**June 30, 2007**

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**Note 1 - Significant Accounting Policies**

The accounting policies of the City of Huntington Woods, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Huntington Woods, Michigan:

**Reporting Entity**

The City has adopted the position of the Governmental Accounting Standards Board (GASB) as outlined in its Statement 1 regarding the definition of a reporting entity. The City of Huntington Woods, Michigan is governed by an elected mayor and a four-member commission. A full-time City Manager is appointed by this body to carry out the policies that are established. The City has no component units, or entities for which the City is considered financially accountable.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, proprietary fund, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the fiduciary fund. Revenue is recorded when earned, and expenses recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**City of Huntington Woods, Michigan**  
**Notes to Financial Statements, continued**  
**June 30, 2007**

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**Note 1 - Significant Accounting Policies - Continued**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensating absences, and claims and judgments are recorded only when payment is due.

The City reports the following major governmental funds:

**General fund** - The General fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Sanitation fund** - The Sanitation fund accounts for the operation of the solid waste collection, disposal and recycling functions of the City.

**Recreation fund** - The Recreation fund accounts for the operation and maintenance of city parks, as well as the operation of all recreation programs and leisure activities, including the operation of the City pool.

**Capital Projects fund** - The Capital Projects fund accounts for special projects not associated with business-type funds.

**Rockham Defense fund** - The Rackham Defense fund was established to account for monies spent to defend the Rackham Golf Property against undesired development. The fund was initially set up through the transfer of expenses that had accumulated in trust fund setup to provide a means for outside groups to collect monies under the "Save Rackham" moniker. The fund is non-operational in nature and is intended only to account for these costs on a short-term basis.

The City reports the following major proprietary fund:

**Water and Sewer fund** - The Water and Sewer fund accounts for the operation and maintenance of the water supply system, as well as the City sewage disposal infrastructure. It is financed primarily through user charges.

Additionally, the City reports the following fund types:

**Internal Service fund** - Internal Service funds account for major machinery and equipment purchases and maintenance, as well as risk management services provided to other departments of the City on a cost reimbursement basis. They also account for health care benefits provided to qualified employees during retirement, as well as a health insurance fund to provide for self-funding of health care benefits.

**City of Huntington Woods, Michigan**  
**Notes to Financial Statements, continued**  
**June 30, 2007**

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**Note 1 - Significant Accounting Policies - Continued**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued**

**Agency fund** - The Agency fund is custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The fund is used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. The City is responsible for ensuring that the assets reported in this fund are used for their intended purposes. The Agency fund cannot use these assets to finance its operations. However, these amounts may be appropriated to the Capital Planning Fund for use at the discretion of the City Commission.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with the proprietary fund's principal ongoing activities. The principal operating revenue of our proprietary fund relates to charges to customers for water sales and services and sewage disposal. Operating expenses for proprietary funds include the cost of water, sewer disposal, operations and maintenance, general and administrative expenses, and depreciation of capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private sector guidance.

**Property Tax Revenue**

Property taxes are levied on each July 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed. Any real property taxes not paid by March 1<sup>st</sup>, following the due date, are purchased by the County and paid to the City. The County Treasurer takes over collection responsibility at that date. Delinquent personal property taxes are less certain as to ultimate collection and, therefore, are paid to the City upon collection.

The City's 2006 tax is levied and collectible on July 1, 2006, and is recognized as revenue in the year ended June 30, 2007, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2006 taxable valuation of the City totaled \$319,211,250, of which taxes levied consist of 20.2918 mills for general and debt service purposes. This resulted in \$5,692,214 for general and debt service purposes, exclusive of any Michigan Tax Tribunal or Board of Review adjustments. Once these adjustments to the roll were made, the amount available for general and debt service purposes was \$5,625,853. These amounts are recognized in the respective General, Special Revenue and Debt Service Funds financial statements as tax revenue.

**City of Huntington Woods, Michigan**  
**Notes to Financial Statements, continued**  
**June 30, 2007**

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**Note 1 - Significant Accounting Policies - Continued**

**Assets, Liabilities and Net Assets or Equity**

**Cash and Investments** - Cash and cash equivalents include cash on hand and demand deposits. Investments include all short-term instruments of less than three months when acquired, as well as investment instruments as allowed by P.A. 20 of 1943 as amended and the City's investment policy. Investments are stated at fair value. To the extent that cash from various funds has been pooled, pooled investment income is generally allocated to each fund using a weighted average cash balance per fund. Throughout the year ended June 30, 2007, the City had cash balances with a major single financial institution in excess of \$100,000, which is covered by Federal Depository Insurance Corporation. At June 30, 2007, no single investment instrument was in excess of the FDIC insurance limit.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds". All trade and property tax receivables are shown net of allowance for uncollectible accounts.

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the financial statements.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building improvements	40 years
Infrastructure	60 years
Machinery and equipment	7 - 15 years
Office equipment/furniture	5 - 10 years
Vehicles	7 years

**Compensated Absences (Vacation and Sick Time)** - It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary financial statements, accrued compensated absences are paid upon employee termination.

**City of Huntington Woods, Michigan**  
**Notes to Financial Statements, continued**  
**June 30, 2007**

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**Note 1 - Significant Accounting Policies - Continued**

**Assets, Liabilities and Net Assets or Equity - Continued**

**Long-term Obligations** - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discounts. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

**Budgetary Information**

The City is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following is a summary of the requirements of this Act according to the State Treasurer's "Bulletin for Audits of Local Units of Government in Michigan" dated April 1984:

- Budgets must be adopted for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects.
- Budgeted expenditures cannot exceed budgeted revenues and fund balance.
- The budgets must be amended when necessary.
- Public hearings must be held before budget adoptions.
- Expenditures cannot exceed budget appropriations.
- Expenditures must be authorized by a budget before being incurred.

Budgeted amounts of the revenues and expenditures presented for the governmental funds are a summarization of the budgeted amounts as originally adopted, or as amended by the City Commission. Individual amendments were not material in relation to the original appropriations that were adopted for the general, special revenue, or debt service funds. Budget appropriations lapse at year-end and encumbrances are not included as expenditures. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, for the above funds, is included as required supplemental information. Budgets have been prepared on a basis consistent with generally accepted accounting principles.

**City of Huntington Woods, Michigan**  
**Notes to Financial Statements, continued**  
**June 30, 2007**

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**Note 1 - Significant Accounting Policies - Continued**

**Budget Compliance**

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit of government shall not incur expenditures in excess of the amount appropriated. The General Fund's amended budgetary fund balance as of June 30, 2007 showed a decline of \$293,959 from 2006 reserves. The actual June 30, 2007 fund balance was increased by \$111,003 as a result of operational efficiencies, higher than expected revenue and decreased expenditures in most operating categories. The General Fund finished the year with 97% of all appropriations spent in aggregate; however for the year ended June 30, 2007, the following accounts incurred excess expenditures over the amount appropriated:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Percentage</u>
<b>General Fund:</b>				
Administrative	\$ 910,663	\$ 953,667	\$ 43,004	5%
<b>Sanitation Fund:</b>				
Professional Services	416,351	447,318	30,967	7%
<b>Capital Projects Fund:</b>				
Administrative	-	57,915	57,915	100%
<b>Rackham Defense Fund:</b>				
Administrative	-	309,846	309,846	100%

The funds had adequate fund balance to cover the expenditures in excess of amounts appropriated.

The City established the Health Insurance Fund, an Internal Service Fund on July 1, 2002 for the purpose of providing a fund by which future employee health insurance costs may be charged.

**Note 2 - Deposits and Investments**

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. To the extent that cash from various funds has been pooled in an investment, related investment income is allocated to each fund based on relative participation in the pool.

The City has designated one bank for the deposit of its funds. Each financial intermediary, broker, or dealer that holds the City's funds must be provided with a copy of the investment policy and comply with the policy. The investment policy adopted by the commission in accordance with Public Act 196 of 1997 has authorized investment in all of the above securities. The City's deposits and investment policy are in accordance with statutory authority.

**City of Huntington Woods, Michigan**  
**Notes to Financial Statements, continued**  
**June 30, 2007**

**Note 2 - Deposits and Investments - Continued**

**Deposits**

The deposits of the City as of June 30, 2007 amounted to approximately \$170,500 in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) of which \$100,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. The goal is to maximize the investment potential of the City by limiting, to the extent possible all monies that are in non-investment vehicles such as checking or savings accounts. In August 2006, the City made major changes in the commercial banking aspects of the Finance Department. In doing so, the City realized major savings associated with a progressive sweep product through using a local money management firm.

**Investments**

As of June 30, 2007, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Totals</u>	<u>Less Than 3 Months</u>	<u>6-12 Months</u>	<u>12-24 Months</u>	<u>24-36 Months</u>	<u>36-48 Months</u>
Money Market Fund (MM FUND)	\$1,447,558	\$1,447,558	\$ -	\$ -	\$ -	\$ -
Federal Farm Credit BKS CONS (FNMC)	97,656	-	-	-	97,656	-
Federal Home Loan Bank (FHLB)	761,136	396,124	246,095	74,972	43,945	-
Federal National Mortgage Corporation (FNMA)	2,036,919	-	-	492,735	709,584	834,600
Certificate of Deposit (CD)	96,373	96,373	-	-	-	-
	<u>\$4,439,642</u>	<u>\$1,940,055</u>	<u>\$ 246,095</u>	<u>\$ 567,707</u>	<u>\$ 851,185</u>	<u>\$ 834,600</u>

The investments presented on the Statement of Net Assets from the primary government and agency fund includes accrued interest of \$1,477 as of June 30, 2007.

*Interest Rate Risk.* Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City's policy to limit its investments in these investment types to the top rating issued by NRSROs. As of June 30, 2007, the City's investments in commercial paper were rated A1 by Standard and Poor's and P1 by Moody's Investors Service.

*Diversification.* The City's investment policy suggests that the City "diversify by security type and institution," and that no more than 50% of the portfolio is in a single financial institution. The current portfolio is well diversified to an average of 3.84% in any one investment instrument, with a duration averaging 33.69 months with the exception of the money market (pooled bank) trusts where the monies invested by the City are immediately available.

**City of Huntington Woods, Michigan**  
**Notes to Financial Statements, continued**  
**June 30, 2007**

**Note 2 - Deposits and Investments - Continued**

**Investments - Continued**

*Custodial Credit Risk.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require a policy for investment custodial credit risk, however, the current City Investment Policy limits the custodial risk, by measuring the health of custodial banks. At year end, none of the City's investments were subject to custodial credit risk due to one of the following:

Investments were book-entry only in the name of the City and were fully insured.  
Investments were part of a mutual fund.  
Investments were held by an agent in the City's name.

At year end, the City's investment balances were categorized as follows:

<u>Par Amount</u>	<u>Investment Type</u>	<u>Coupon</u>	<u>Maturity Date</u>	<u>Risk Rating</u>	<u>Yield to Maturity</u>	<u>Current Market Value</u>
10,025	MM FUND	5.18%	Liquid	---	5.18%	\$ 10,025
319,920	MM FUND	5.20%	Liquid	---	5.20%	319,820
115,415	MM FUND	4.97%	Liquid	---	4.77%	115,415
150,000	FNMA	3.50%	21-Apr-08	AAA	4.33%	147,851
250,000	FHLB	3.50%	21-Nov-07	AAA	5.00%	246,095
250,000	FNMC	5.13%	03-Oct-08	AAA	5.12%	249,453
400,000	FHLB	4.25%	28-Jun-07	AAA	5.34%	396,124
269,375	MM FUND	4.89%	Liquid	---	4.89%	269,375
567,755	MM FUND	4.77%	Liquid	---	4.77%	564,128
5,671	MM FUND	4.89%	Liquid	---	4.89%	5,671
75,000	FHLB	5.03%	17-Feb-09	AAA	5.20%	74,972
50,000	FHLB	5.30%	20-Nov-09	AAA	5.11%	49,922
266,693	MM FUND	4.52%	Liquid	---	4.52%	37,706
270,000	FNMC	3.25%	15-Jan-08	AAA	5.50%	266,963
200,000	FNMC	4.50%	15-Oct-08	AAA	5.23%	198,188
250,000	FHLB	3.35%	26-Dec-08	AAA	5.40%	243,283
50,000	FHLB	3.50%	30-Jan-09	AAA	5.40%	47,703
250,000	FNMC	3.80%	17-Feb-09	AAA	5.60%	244,465
205,000	FNMC	2.55%	01-Sept-09	AAA	4.13%	200,560
116,000	FNMC	4.01%	07-Oct-09	AAA	5.20%	113,064
45,000	FHLB	4.00%	13-Oct-09	AAA	5.20%	43,945
100,000	FNMC	4.05%	13-Oct-09	AAA	5.22%	97,656
285,000	FNMC	4.00%	02-Jul-10	AAA	5.22%	275,470
97,000	CD	5.03%	23-Sept-08	---	5.03%	96,373
1,075	MM FUND	4.71%	Liquid	---	4.71%	1,075
124,340	MM FUND	5.06%	Liquid	---	5.06%	124,340
Average			Average			
Coupon		<u>4.34%</u>	Yield-to-			
			Maturity		<u>5.05%</u>	



**City of Huntington Woods, Michigan**  
**Notes to Financial Statements, continued**  
**June 30, 2007**

**Note 3 - Capital Assets**

Capital assets activity of the primary government's governmental and business-type activities was as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 89,802	\$ -	\$ -	\$ 89,802
Construction-in-progress	<u>3,748,688</u>	<u>-</u>	<u>-</u>	<u>3,748,688</u>
Total capital assets, not being depreciated	<u>\$ 3,838,490</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,838,490</u>
Capital assets, being depreciated:				
Infrastructure - roads and sidewalks	\$ 19,543,654	\$ -	\$ -	\$ 19,543,654
Vehicles	15,869	-	-	15,869
Office equipment and furniture	905,020	84,740	-	989,760
Library books and fine arts	678,182	33,531	-	711,713
Machinery and equipment	2,738,807	25,999	21,348	2,743,458
Land improvements	355,621	-	-	355,621
Buildings and improvements	<u>8,891,314</u>	<u>-</u>	<u>-</u>	<u>8,891,314</u>
Total at historical cost	<u>\$ 33,128,467</u>	<u>\$ 144,270</u>	<u>\$ 21,348</u>	<u>\$ 33,251,389</u>
Accumulated depreciation:				
Infrastructure - roads and sidewalks	\$ 4,853,390	\$ 296,743	\$ -	\$ 5,150,133
Vehicles	7,054	882	-	7,936
Office equipment and furniture	728,857	71,399	-	800,256
Library books and fine arts	640,187	16,445	-	656,632
Machinery and equipment	1,223,295	214,372	17,892	1,419,775
Land improvements	163,252	32,517	-	195,769
Buildings and improvements	<u>2,694,065</u>	<u>216,250</u>	<u>-</u>	<u>2,910,315</u>
Total accumulated depreciation	<u>\$ 10,310,100</u>	<u>\$ 848,608</u>	<u>\$ 17,892</u>	<u>\$ 11,140,816</u>
Total capital assets, being depreciated, net	<u>\$ 22,818,367</u>	<u>\$ (704,338)</u>	<u>\$ 3,456</u>	<u>\$ 22,110,573</u>
Total Governmental Activities Capital Assets, net	<u>\$ 26,656,857</u>	<u>\$ (704,338)</u>	<u>\$ 3,456</u>	<u>\$ 25,949,063</u>

Depreciation included in the determination of operating income is computed on the straight-line basis over estimated useful lives ranging from 5 years to 60 years. Land is a non-depreciable asset. Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities:</b>	
General government	\$ 528,665
Public Safety	37,855
Public works	8,803
Library	56,293
Recreation	<u>216,992</u>
Total depreciation expense-governmental activities	<u>\$ 848,608</u>

**City of Huntington Woods, Michigan**  
**Notes to Financial Statements, continued**  
**June 30, 2007**

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**Note 3 - Capital Assets - Continued**

The City's interest in the George W. Kuhn portion of the Twelve Town Drain System that is owned and operated by several governmental agencies has been reflected under the caption of construction-in-progress in the accompanying financial statements. Liabilities to the County for construction of the sewage disposal facilities are recorded in the government-wide statement of net assets as noncurrent liabilities of the City because related debt service charges are financed largely by property taxes levied instead of by user charges. Accordingly, property and equipment related to County sewer operations are not recorded in the Water Fund rather are recorded in governmental activities.

The City's interest in the initial Twelve Town Drain System has not been recorded in capital assets due to the immateriality of the net book value of the asset.

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>Business-Type Activities:</b>				
Capital assets:				
Buildings and improvements	\$ 7,499	\$ -	\$ -	\$ 7,499
Land	1,000	-	-	1,000
Machinery and equipment	427,467	-	-	427,467
Water and sewer mains	3,354,200	-	-	3,354,200
Water meters	<u>241,351</u>	<u>-</u>	<u>-</u>	<u>241,351</u>
Subtotal	4,031,517	-	-	4,031,517
Accumulated depreciation:				
Buildings and improvements	7,499	-	-	7,499
Machinery and equipment	247,828	32,886	-	280,714
Water and sewer mains	1,032,061	61,849	-	1,093,910
Water meters	<u>120,537</u>	<u>6,034</u>	<u>-</u>	<u>126,571</u>
Total accumulated depreciation	<u>1,407,925</u>	<u>100,769</u>	<u>-</u>	<u>1,508,694</u>
Net capital assets	<u>\$ 2,623,592</u>	<u>\$ (100,769)</u>	<u>\$ -</u>	<u>\$ 2,522,823</u>

Depreciation included in the determination of operating income is computed on the straight-line basis over estimated useful lives ranging from 5 years to 60 years. Land is a non-depreciable asset. Depreciation expense at June 30, 2007 amounted to:

Water Fund	\$ 100,769
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**City of Huntington Woods, Michigan**  
**Notes to Financial Statements, continued**  
**June 30, 2007**

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**Note 4 - Long-Term Debt**

A summary of changes in long-term debt is as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u> <u>(Reductions)</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Due Within</u> <u>One Year</u>
<b><u>Governmental Activities:</u></b>				
Compensatory time Recreation Center	\$ 6,471	\$ (110)	\$ 6,361	\$ -
Improvement Bonds	3,650,000	(300,000)	3,350,000	300,000
Street Improvement Bonds	2,200,000	(150,000)	2,050,000	200,000
Street Improvement Bonds	3,200,000	(150,000)	3,050,000	150,000
George W. Kuhn Drain Bonds 2000-A	469,016	(24,273)	444,743	24,743
George W. Kuhn Drain Bonds 2000-B	179,150	(7,830)	171,320	7,830
George W. Kuhn Drain Bonds 2002-C	2,370,296	(105,862)	2,264,434	108,524
George W. Kuhn Drain Bonds 2002-D	95,369	(4,228)	91,141	4,072
George W. Kuhn Drain Bonds 2002-E	287,205	(10,962)	276,243	11,745
George W. Kuhn Drain Bonds 2005	-	40,102	40,102	2,192
Bus Installment Loan	63,301	(11,824)	51,477	12,116
Street Sweeper Installment Loan	<u>91,744</u>	<u>(12,993)</u>	<u>78,751</u>	<u>13,282</u>
Total Governmental Activities	12,612,552	(737,980)	11,874,572	834,504
<b><u>Business-Type Activities:</u></b>				
Vactor Building Installment Loan	<u>170,653</u>	<u>(170,653)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 12,783,205</u>	<u>\$ (908,633)</u>	<u>\$ 11,874,572</u>	<u>\$ 834,504</u>

**City of Huntington Woods, Michigan**  
**Notes to Financial Statements, continued**  
**June 30, 2007**

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**Note 4 - Long-Term Debt - Continued**

At June 30, 2007, long-term obligations consisted of:

**Governmental Activities:**

Compensatory time - Public Safety	\$ 6,361
Recreation Center Improvement Bonds dated July 1, 1998; annual principal payments of \$165,000 to \$550,000, due serially to October 1, 2014; interest rates 4% to 6% (original issue totaled \$4,915,000)	3,350,000
Street Improvement Bonds dated April 1, 1999; annual principal payments of \$150,000 to \$300,000, due serially to October 1, 2014; interest rates 4% to 6% (original issue totaled \$3,500,000)	2,050,000
Street Improvement Bonds dated April 1, 2001; annual principal payments of \$75,000 to \$500,000, due beginning October 2003 serially to October 1, 2015; interest rates 4% to 4.5% (original issue totaled \$3,500,000)	3,050,000
George W. Kuhn Drain Bonds 2000-A dated April 1, 2001; annual principal payments of \$21,000 to \$36,000, due beginning April 2003 serially to April 1, 2022; interest rate at 2.5% (original issue totaled \$560,001). These represent the City's portion of the total bonds issued by Oakland County	444,743
George W. Kuhn Drain Bonds 2000-B dated April 1, 2001; annual principal payments of \$6,200 to \$15,500, due beginning April 2003 serially to April 1, 2022; interest rate at 2.5% (original issue totaled \$205,772). These represent the City's portion of the total bonds issued by Oakland County	171,320
George W. Kuhn Drain Bonds 2002-C dated April 1, 2002; annual principal payments of \$100,850 to \$161,142, due beginning April 2005 serially to April 1, 2024; interest rate at 2.5% (original issue totaled \$2,574,502). These represent the City's portion of the total bonds issued by Oakland County	<u>2,264,434</u>
Total this page	11,336,858

**City of Huntington Woods, Michigan**  
**Notes to Financial Statements, continued**  
**June 30, 2007**

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**Note 4 - Long-Term Debt - Continued**

**Governmental Activities - Continued:**

Total - from previous page	\$ 11,336,858
George W. Kuhn Drain Bonds 2002-D dated April 1, 2002; annual principal payments of \$3,915 to \$6,264, due beginning April 2005 serially to April 1, 2024; interest rate at 2.5% (original issue totaled \$99,284). These represent the City's portion of the total bonds issued by Oakland County	91,141
George W. Kuhn Drain Bonds 2002-E dated April 1, 2002; annual principal payments of \$10,962 to \$22,551, due beginning April 2005 serially to April 1, 2024; interest rate of 4% to 5.25% (original issue totaled \$309,129). These represent the City's portion of the total bonds issued by Oakland County	276,243
George W. Kuhn Drain Bonds 2005 dated September 22, 2005; annual principal payments of \$2,192 to \$2,975, due beginning April 2007 serially to April 1, 2023; interest rate of 1.625% (original issue totaled \$42,295). These represent the City's portion of the total bonds issued by Oakland County	40,102
Bus Installment Loan dated August 26, 2004; semi-annual principal and interest payments of \$6,896, due April and October to April 1, 2011; interest rate at 3.21%	51,477
Street Sweeper Installment Loan dated September 29, 2005; semi-annual principal and interest payments of \$7,812, due March and September to September 29, 2012; interest rate 2.97%	<u>78,751</u>
Total long-term debt	<u>\$ 11,874,572</u>

**City of Huntington Woods, Michigan**  
**Notes to Financial Statements, continued**  
**June 30, 2007**

**Note 4 - Long-Term Debt - Continued**

The following is a summary of annual debt service requirements to maturity for the above bonds, followed by the detailed bond payments:

<b>Governmental Activities</b>					
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>		
2008	\$ 808,793	\$ 430,281	\$ 1,239,074		
2009	938,333	395,905	1,334,238		
2010	992,719	358,825	1,351,544		
2011	1,122,261	318,001	1,440,262		
2012	1,176,801	273,481	1,450,282		
2013-2016	5,007,943	571,319	5,579,262		
2017-2021	1,073,336	183,202	1,256,538		
2022-2025	617,797	34,111	651,908		
	<b>\$ 11,737,983</b>	<b>\$ 2,565,125</b>	<b>\$ 14,303,108</b>		

<b>Date of Issue</b>	<b>Amount of Issue</b>	<b>Interest Rate</b>	<b>Date of Maturity</b>	<b>Principal Payments</b>	<b>Interest Payable</b>
<b>Recreation Center Improvement Bonds</b>					
7/1/98	\$ 4,915,000	4.70%	10/1/07	\$ 300,000	\$ 129,050
		4.00	10/1/08	350,000	115,000
		4.00	10/1/09	350,000	101,000
		4.00	10/1/10	400,000	86,000
		4.00	10/1/11	450,000	69,000
		4.00	10/1/12	450,000	51,000
		4.00	10/1/13	500,000	32,000
		4.00	10/1/14	550,000	11,000
				<b>\$ 3,350,000</b>	<b>\$ 594,050</b>
<b>Street Improvement Bonds</b>					
4/1/99	\$ 3,500,000	4.00%	10/1/07	\$ 200,000	\$ 78,000
		4.00	10/1/08	225,000	69,500
		4.00	10/1/09	225,000	60,500
		4.00	10/1/10	250,000	51,000
		4.00	10/1/11	250,000	41,000
		4.00	10/1/12	300,000	30,000
		4.00	10/1/13	300,000	18,000
		4.00	10/1/14	300,000	6,000
				<b>\$ 2,050,000</b>	<b>\$ 354,000</b>

**City of Huntington Woods, Michigan**  
**Notes to Financial Statements, continued**  
**June 30, 2007**

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**Note 4 - Long-Term Debt - Continued**

<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Payments</u>	<u>Interest Payable</u>
Street Improvement Bonds					
4/1/01	\$ 3,500,000	4.250%	10/1/07	\$ 150,000	\$ 129,913
		4.250	10/1/08	200,000	122,475
		4.250	10/1/09	250,000	112,913
		4.250	10/1/10	300,000	101,225
		4.250	10/1/11	300,000	88,475
		4.350	10/1/12	350,000	74,488
		4.500	10/1/13	500,000	55,625
		4.500	10/1/14	500,000	33,125
		4.375	10/1/15	500,000	10,938
				<u>\$ 3,050,000</u>	<u>\$ 729,177</u>
George W. Kuhn Drain Bonds 2000-A					
4/1/01	\$ 560,001	2.5%	4/1/2008	\$ 24,743	\$ 11,118
		2.5	4/1/2009	25,369	10,500
		2.5	4/1/2010	25,996	9,866
		2.5	4/1/2011	26,779	9,216
		2.5	4/1/2012	27,405	8,546
		2.5	4/1/2013	28,031	7,862
		2.5	4/1/2014	28,814	7,160
		2.5	4/1/2015	29,441	6,440
		2.5	4/1/2016	30,224	5,704
		2.5	4/1/2017	31,007	4,948
		2.5	4/1/2018	31,790	4,174
		2.5	4/1/2019	32,573	3,378
		2.5	4/1/2020	33,356	2,564
		2.5	4/1/2021	34,139	1,730
		2.5	4/1/2022	35,076	876
				<u>\$ 444,743</u>	<u>\$ 94,082</u>